

~~CONFIDENTIAL~~

(S) June 1951

MEMORANDUM FOR: Intelligence Information Staff, Requirements Branch, OHR
ATTENTION: [REDACTED] 25X1A9a
THROUGH: Chief, Industrial Division, OHR
FROM: Chief, Manufacturing Sectors Branch, D/S
SUBJECT: Requirements for [REDACTED] 25X1X6

I. Background Information:

In 1949 the Soviet Union and most of the Communist nations of Eastern Europe announced the formation of an organization known as the Council for Mutual Economic Assistance ("CEMA"). Some Western observers scoffed then and do today in calling it the Soviet Union's "answer to the Marshall Plan." While the organization certainly has some of the Marshall Plan features and aspects most students of international economics do not believe that the Soviets were merely crapping in forming organizations.

Soviet literature has, since 1949, told one and all that the CEMA organization was established to put into practice the theory of the "division of labor." Simply stated the theory holds, quite rationally, that each economic unit should produce that product or products in which it has a clear economic advantage over other producers. In turn the unit should buy from other producers those products which they [the other producers] produce with a similar economic advantage.

Obviously if each economic unit (i.e., country) only produced one product the coordination would be simple. Quite obviously again, the ideal case does not exist. In the various countries making up CEMA there is a multiplicity of products. Duplication of industries is in some cases overwhelming. Even if each product had only one producing country the list of all other commodities produced in one country is enormous.

In its early stages from 1949-1953 the principle behind CEMA faced the build-up of most Communist states as industrial units and as competing producers. Each nation tended to sell to and buy from other states within the group but generally speaking under market conditions. Technical and trade committees from the various member states met and exchanged technical information and concluded trade pacts. By 1953 the movement to coordinate the basic state plans was operating, though in a very limited fashion. Division of labor on the international front could only take place effectively by attacking the production problem first. Since 1953 the effort to coordinate these plans and integrate production and trade on a

~~CONFIDENTIAL~~

~~CONFIDENTIAL~~

SUBJECT: Requirements for [REDACTED] 25X1X6

Eloc-scale has gone forward. Political and economic crises in the 1954-1956 period hampered Bloc unity, but in the latter part of this second stage some coordination was achieved. Since 1956 trade and production statistics indicate that machinery, equipment, and raw materials are flowing between the Bloc countries in some definite and recognizable patterns. In addition higher and higher percentages of each nation's total trade are being restricted to Bloc countries.

Communiqués from Moscow in May 1958 indicate that the Bloc planners are now on the threshold of effective Plan integration.

II. Requirements:

1. Can the CEMA "secretariat" issue directives on coordination or is it merely a central accounting office?
2. Are all of the national plans of the member states now reviewed prior to final adoption by either the secretariat or other members?
3. If all the members coordinate their plans -- presumably in more and more detail each year -- what possible economic avenues will remain open between East and West?
4. Have any member states protested against the combined production decisions as they affect that state or states? And if so, why?
5. What specific industries have been built-up or cut-back in any country as a result of Bloc coordination?
6. How are prices set for individual products which are coordinated?
7. Will economic integration eventually promote political integration (i.e., government in addition to the present party unity)?
8. Doesn't the recent decentralization of the Soviet economy run counter to the CEMA theme of unifying the Bloc in that it would make Soviet participation more difficult?
9. Although Communist China attended the May 1958 sessions of CEMA only as an observer, is greater participation in future deliberations anticipated?

[REDACTED] 25X1A9a

Distribution:

Orig. and 1 - St/I/R
1 - D/I
3 - I/MS

ORR:I/MS: [REDACTED] /2922 (27 Jun 58) 25X1A9a

~~CONFIDENTIAL~~